



# *CITY COUNCIL*

## *Finance Committee*

### **Meeting Report Monday, August 4, 2008**

**Committee Members Attending:** J. Waltman, Chair, M. Baez

**Others Attending:** V. Spencer, L. Kelleher, D. Cituk, C. Younger, R. Hottenstein, L. Olsen, W. Bealer, M. Candelario, M. Wolfe

Mr. Waltman called the Finance Committee meeting to order at 6:00 pm.

#### **BLIGHTED PROPERTY REVIEW COMMITTEE**

Lee Olsen, chairman of the Blighted Property Review Committee (BPRC), introduced the committee members. He stated that the group was able to more fully understand their role and mission after meeting with the Harrisburg and Allentown BPRC's. He explained that through these meetings the Reading BPRC was able to understand the process used to explain blighted properties located individually in neighborhoods and in larger areas. He stated that Allentown and Harrisburg have been using BPRC's for approximately twenty years. He noted the success these communities have had. He stated that the majority of the properties identified and targeted by the BPRC's are mostly rehabilitated. However, when a property is taken through eminent domain it is generally turned over to the Local Redevelopment Authority.

Mr. Bealer displayed a map that identifies and categorizes Reading's blighted properties that were identified by Great Valley Consultants Report earlier in the year. He noted that the properties are color coded using red for the most deteriorated properties and yellow for the least deteriorated properties. It is believed that the properties shaded in red are too deteriorated to allow rehabilitation. However, each building will be dealt with individually.

Mr. Olsen and Mr. Bealer explained that the Reading BPRC held a strategic planning

session earlier in the month and selected their target groups for the 2008 -2009 year. The large area was selected to support Entertainment Square at 2<sup>nd</sup> & Penn and Sun Fresh foods located in the Buttonwood Gateway. The target area falls between Walnut and Buttonwood Street, 2<sup>nd</sup> Street to Schuylkill Avenue. The Reading BPRC selected the 600 block of North Front Street as a target neighborhood and identified individual properties in the downtown and in the near downtown area. Individual properties were identified in the 400 and 500 blocks of Penn Street, the 000 block of North 5<sup>th</sup> Street, the 200 block of S. 8<sup>th</sup> Street, and the 600 block of Cedar Street.

Mr. Olsen explained that after meeting with the Harrisburg and Allentown BPRC's they also learned about the costs associated with doing the necessary legal work and demolition. Legal work is estimated at \$5,000 for residential properties and ten thousand dollars for commercial properties. Demolition for residential properties is estimated at \$25,000. He explained that after identifying the individual properties neighborhood and target area the committee estimated they would need \$200,000 for year one and \$500,000 for year two.

Mr. Bealer next described the three phase process used to either bring properties into compliance or to take the properties for demolition through eminent domain.

Mr. Waltman questioned if the money allocated would be circular and return to be reused to address future costs. Mr. Olsen replied that the cost for taking and demolition are mostly unrecoverable; however, community development programs can be established to allow the repayment of funds used to rehabilitate properties.

Mr. Spencer questioned how long the Redevelopment Authority generally owns properties that are transferred to its ownership. Mr. Olsen replied that the Redevelopment Authority usually owns the properties for several months to a year.

Mr. Spencer questioned responsibility for maintenance of vacated lots. Mr. Bealer replied that the maintenance of vacated lots is the responsibility of the owning agency. He noted that the model used in Philadelphia focuses on dedensification and transfers ownership to neighboring properties. Allentown also uses a dedensification model that turns vacated lots over to the Allentown Parking Authority and spaces are then rented to homes in the neighborhood. Mr. Bealer also stated that the use of Community Development Corporations in target areas can be used to fund the rehabilitation and the demolition costs.

The Finance Committee applauded the work of the Reading BPRC and asked the Administration to allocate funding to move this effort forward.

## **AMMENDMENT TO BUISNESS PRIVILEGE TAX REGULATIONS**

Mr. Younger and Mr. Hottenstein explained that this amendment is merely housekeeping to provide clarification on the state statutory rates and regulations.

## **BUDGET ISSUES**

### **4 ACTION STEPS**

Mr. Waltman stated that as Council and the Administration addresses these action steps they will be considering the effect on the 2009 and 2010 general fund budgets. He stated that the majority of Council has agreed to the Debt Restructuring which will refinance approximately \$230 million of City outstanding debt to flatten the payments over the term of the debt. He stated that as of right now staff reductions are off the table as the Administration plans to eliminate unfilled positions and positions vacated through attrition. He restated that no current employees will be displaced. The City will save \$1 million in savings between July and December 2008 by eliminating unfilled positions and positions vacated through attrition. Annually those costs are expected to reach \$2 million in saving per year.

Mr. Waltman stated that the Administration is currently working to seek an \$8 million injection from the Reading Parking Authority. Mr. Hottenstein stated that discussions with the Parking Authority have been positive and the group is willing to work to increase the amount annually contributed to the City. He noted the need to have the deal finalized by the end of October as the estimated transfer needs to be in place by the end of November. Mr. Waltman stated that if \$8 million injection from the Parking Authority and the \$4 million raised through the sale of Antietam will provide the City with the necessary cushion for 2009 and 2010. Mr. Waltman noted the need for the creation of a plan B should the deal with the Parking Authority collapse.

Me. Spencer questioned if the administration was willing to prepare an RFP to explore a model similar to that used in Harrisburg. Mr. Hottenstein stated that the Administration has not explored this model to date.

Mr. Spencer stated that the savings realized through the elimination of unfilled positions and positions vacated through attrition are not recurring. He also stated that as the cost of benefits and salaries will continue to rise through the future any savings associated with of unfilled positions and positions vacated through attrition will narrow as time moves forward.

## **PROPERTY TAX INCREASE**

Mr. Waltman noted discussions with the Reading Area Water Authority to see increased financial assistance. An increased contribution from the Reading Area Water

Authority will negate the need for a property tax increase. Mr. Waltman stated the discussions with RAWA have been positive and RAWA requested two to three weeks to analyze figures and to develop a plan. Mr. Waltman noted the need for the creation of a timeline to guide this process. He also reminded Mr. Hottenstein the need to set a meeting with RAWA in two to three weeks.

Mr. Hottenstein noted the need to have the \$7.5 million question answered by September 15<sup>th</sup>. Mr. Waltman agreed and added the need to identify solutions and gaps before the end of August. Mr. Hottenstein stated that the City's collection of Act 511 taxes has improved over the last two to three years although when comparing revenues generated now compared to that collected over the last fifteen years gaps have been identified. Mr. Spencer noted the work of Council Staff to identify gaps in areas such as business privilege tax, per capita tax, business license fees, etc.

Mr. Waltman stated that Council and the Administration must define the necessary action steps by mid August and complimentary pieces by the end of August. Mr. Hottenstein agreed as the Administration is attempting to prepare a draft budget by the end of August and a rough draft delivered to Council by mid September. He noted the need for the Administration to have a finalized budget before the body of Council by October 1<sup>st</sup>.

Mr. Hottenstein also noted the need for Council and the Administration to agree which core services will be provided to Reading citizens.

Mr. Spencer questioned the use of the \$4 million generated through the sale of Antietam into the general fund budget. Mr. Hottenstein and Mr. Waltman stated that the Administration has committed to dedicating \$4 million dollars of capital funds for parks maintenance and rehabilitation projects. Mr. Spencer disagreed with this approach as Council in the past requested that this \$4 million be set aside to provide for the future care, maintenance and programs in the parks and recreation service area. He also reminded all that the transaction the Administration is suggesting is merely robbing Peter to pay Paul.

#### **CIP AMMENDMENT**

Mr. Hottenstein stated that the Administration has considered Ms. Kelleher's request to include \$50,000 to fund a streaming project.

Ms. Kelleher stated that the streaming component was originally part of a larger project to correct the audio problems in Council Chambers, purchase equipment needed to provide a paperless environment for Council and the City's Board's, Authorities, and Commissions. She stated that the County is also moving forward

with a similar streaming project. It is currently believed that the project can move forward with \$50,000 in capital funding.

Mr. Spencer questioned the removal of the security project from the CIP. Mr. Hottenstein stated that estimated show the security model (based on that used in the County) would cost approximately \$230 to \$300,000 annually.

Mr. Spencer stressed the need for some type of security system to be in place at City Hall. He noted the new security measures used by the Courthouse and School Districts.

Mr. Hottenstein stated that currently panic buttons are the only type of security measures employed in some offices such as the Mayor's Office, Tax and Treasury. Mr. Waltman questioned the need for security as the Reading Police Department occupies offices on the second, first, and basement levels of City Hall.

Mr. Spencer stressed the inherent problems created by public's unobstructed access to City staff. Mr. Hottenstein agreed noting that those who generally working after hours are also over exposed as the public's access to all areas of City Hall is not restricted to the Desk Sergeant Area.

The Finance Committee referred the proposed CIP Amendment to the Public Safety Committee asking them to address the City Hall Security issue.

Respectfully submitted by,

Linda Kelleher  
City Clerk